EXECUTIVE SUMMARY

AUTOMOTIVE ADVERTISING TAKES A SHARP TURN
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It’s been a tough year for automotive advertising. For the sellers – especially broadcast TV – the bottom seems to have dropped out. For the buyers, the cutbacks reflect lower new-car sales, flat used-car sales, and greater cost efficiency in targeted marketing. Dealers aren’t spending less on marketing. They’re just spending less on advertising. Marketing budgets are swelling, particularly for digital “services” that help them manage their own direct-to-consumer media channels in social media, email, and their dealer websites.

**2018: A RED YEAR FOR AUTOMOTIVE ADVERTISING**

<table>
<thead>
<tr>
<th></th>
<th>Spending by Dealers</th>
<th>Spending by Dealer Associations</th>
<th>Spending by Manufacturer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broadcast TV</td>
<td>-27.7%</td>
<td>-24.3%</td>
<td>-37.6%</td>
</tr>
<tr>
<td>Cable</td>
<td>13.2%</td>
<td>8.9%</td>
<td>-22.3%</td>
</tr>
<tr>
<td>Cinema</td>
<td>3.1%</td>
<td>10.3%</td>
<td>-17.1%</td>
</tr>
<tr>
<td>Direct Mail</td>
<td>-12.0%</td>
<td>0.5%</td>
<td>-0.8%</td>
</tr>
<tr>
<td>Newspapers</td>
<td>-8.4%</td>
<td>-18.2%</td>
<td>-45.8%</td>
</tr>
<tr>
<td>Online</td>
<td>-3.9%</td>
<td>15.0%</td>
<td>9.4%</td>
</tr>
<tr>
<td>Other Print</td>
<td>-18.5%</td>
<td>-13.2%</td>
<td>-58.6%</td>
</tr>
<tr>
<td>Out of Home</td>
<td>-12.8%</td>
<td>16.5%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Radio</td>
<td>-10.0%</td>
<td>-0.3%</td>
<td>-9.9%</td>
</tr>
<tr>
<td><strong>Total Change</strong></td>
<td><strong>-6.6%</strong></td>
<td><strong>0.0%</strong></td>
<td><strong>-9.5%</strong></td>
</tr>
</tbody>
</table>

Source: Borrell’s Automotive Advertising Outlook, Oct. 2018; © 2018 Borrell Inc.

Total automotive ad spending this year is down 7.3%, to $34.4 billion. For 2019, we’re forecasting a 3.4% bounce-back. But 2019 seems a long way off, especially for companies that still have their 2018 fourth-quarter numbers to hit. Our five-year outlook is for low growth, averaging 1.7% per year. Nearly all of it goes to digital advertising.

It’s all the result of fundamental changes brought on by the Great Recession a decade ago. That economic trigger forced manufacturers and dealers to rethink marketing expenditures and align them with what potential car buyers were doing and where they could be found. As a result, 67% of all automotive advertising now goes to highly targeted digital media, stealing from traditional print and broadcast channels that are considered less efficient.
Dealers are now spending 41% less to advertise a new car than they were five years ago. It’s gone from $888 in 2012 to $518 this year. It’s now easier to hit a specific target, which means dealers can be more efficient with their ad buys. “Mass” media still plays a role in branding messages, but even that’s now being challenged as video advertising migrates to the digital environment.

In this report we have recast our numbers to provide a picture of what automotive advertising might look like in 2023. These reborn forecasts point to striking changes in future spending. The new model predicts that, five years from now:

- Print advertising will be significantly lower than 2018 levels
- Broadcast TV advertising will be significantly lower
- Radio advertising will be lower
- Cable advertising will be higher
- Digital advertising will be significantly higher

All of this points to a very different marketing landscape for the automotive industry by 2023. The advertising piece of overall marketing expenditures is likely to remain in the $35-37 billion range, but marketing services are likely to get far more attention as manufacturers and dealers spend more time and money on their “owned media” channels.
As a data-driven company, we are experts in local advertising. We are the leaders in tracking and forecasting local ad spending across any market in the U.S., Canada or the U.K., down to the county or province level.

We help clients gauge the levels of advertising, promotion, and marketing expenditures in their markets by any type of business.

We help media companies increase their market share and marketers adjust their budgets by providing detailed ad-spending data, fact-based consultation and training.

ABOUT BORRELL

Methodology and Model
Our unique and disruptive methodology of tracking advertising was first developed in 1990 as a holistic way to gauge spending in traditional media. Since the late 1990s it has continuously progressed to include deep levels of data that monitor online advertising. Now used by more than 1,000 companies, our ad-spending estimates are derived from a blend of bottom-up and top-down data, as well as a continuous flow of our own market surveying.

Unlike most other companies, our approach starts at the bottom with local business expenditures, instead of at the top — media companies' receipts. This is based on our belief that the media world has become so complex and fragmented that it's impossible to deliver an accurate assessment via only the traditional top-down approach of tallying receipts of the largest media companies.

Our model is designed with a powerful and unwavering local focus. This model of collecting expenditure and receipt data enables us to measure ad spending that is generated and spent in any given market, directed to a market from elsewhere, and generated in a market but spent elsewhere. For more detail on our methodology, visit www.adspending.com.

Market Data
Our market data is remarkably deep, offering ad-spending assessments across each of the 12 media types (newspapers, online, TV, radio, direct mail, etc.) and for any of 100 business categories (furniture stores, car dealers, hospitals, telecommunications, etc.). It now includes promotions data and offers backcasts and forecasts up to five years. Our data subscription product — the Compass — offers an interactive tool that media managers, analysts and sales professionals use to manipulate the data to uncover enlightening facts.

The richest data surrounds the levels of spending on digital media. For instance, the Compass offers guidance on how much a mid-size auto dealer in Albuquerque might spend on search engine advertising, targeted display, or online video ads. We are continuously improving the offerings to meet our clients' needs and offer monthly user group webinars with Compass subscribers. For a preview or to schedule a test drive, visit www.adspending.com.

Interactive Revenue-Acceleration Program (IRAP)
Our Interactive Revenue Acceleration Program is offered exclusively to Compass subscribers. It puts media companies on the fast track to driving significant growth in their digital sales efforts. This turn-key program brings a Borrell expert to the client's market to offer a higher level of training on using the data, as well as seminars to educate local advertisers about the benefits of digital marketing. Clients routinely see an ROI of 300% or more from this program.
Local Advertiser Surveys
Our local market survey program delivers powerful insights. Annual Local Advertiser surveys provide detailed information on your market while comparing every result to a larger dataset for reference. How well do you know your local market? How are advertisers thinking about their radio, newspaper, or cable TV ad budgets today? What are they planning to do with interactive marketing in the coming year? What do they wish the local media companies understood about their business? Who do they consider to be marketing experts? All these questions and more can be answered with our Local Advertiser Survey. Borrell's 2016 Local Advertiser Survey contained information from more than 7,500 completed surveys.

Industry Papers and Subscriptions
We release a variety of analysis-rich industry papers and memoranda throughout the year. These papers are typically published every 30 days and include dozens of charts and tables, as well as appendices packed with market-level data. They cover topical issues in both online and mobile advertising, often in the framework of how those trends affect traditional media. Examples of reports include:

- SMB Spending on Digital Marketing
- Real Estate Advertising Outlook
- Automotive Advertising Outlook
- Local Advertising Forecasts
- Benchmarking Local Online Media
- SMB Social Media & Mobile Advertising Outlook
- Recruitment Advertising Outlook

An Annual Subscription is the best way to stay informed on the most important industry trends. Subscribers receive:

- At least 12 industry papers per year
- Access to all archived papers
- Access to interactive webinars with lead analysts discussing report findings
- Downloadable PowerPoint with all report charts and tables
- Client memoranda as issued on pertinent topics

Revenue Survey
Since 2001, we've been collecting data on interactive revenues and expenses from local media companies. The data encompasses more than 10,000 companies, giving us an accurate picture of online advertising sales across the U.S. and Canada. We conduct private benchmarking reports for local media companies and compile an annual summary of the data in our "Benchmarking Local Online Media" report each spring. The data allows us to study the best-practice companies and how they're able to achieve as much as 10 times the average market share.

Conference & Company Presentations
Our annual Local Online Advertising Conference is a first-class event. Held each spring in New York, the event brings together the largest group of local interactive media executives of any conference. The speaker list represents a Who's Who among local media. Eighty percent of the attendees are company executives, most of whom are in charge of interactive strategies. In addition, we speak at nearly 100 company meetings and conferences each year. Excellent presentation skills are a core competency at Borrell.

Webinars
We host or participate in dozens of webinars throughout the year. Our topic list is extensive. We develop custom presentations specifically for companies, trade associations or other groups. We do not conduct sponsored webinars.